

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

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CC:CORP:04

PLR-117511-09

Date:

October 01, 2009

Legend

Parent =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Date 6 =

Former QSubs =

Regional Subsidiary 1 =

Regional Subsidiary 2 =

Regional Subsidiary 3 =

Regional Subsidiary 4 =

Dear :

This letter responds to your March 27, 2009 request for a ruling on certain federal income tax consequences of the transactions described below. The information submitted in that request and in later correspondence is summarized below.

Summary of Facts

Prior to Date 1, Parent was the common parent of an affiliated group of corporations that filed a consolidated federal income tax return on a calendar year basis (the "Old Group"). Effective Date 1, Parent elected to be taxed as an S corporation under § 1361 of the Internal Revenue Code (the "Code") for federal income tax purposes and made qualified subchapter S subsidiary ("QSub") elections for most, but not all, of its subsidiaries. As a result of Parent's S corporation election, the Old Group terminated for federal income tax purposes effective at the end of the day on Date 2.

Effective Date 3, Parent revoked its S corporation election by filing a letter with the Internal Revenue Service in accordance with the procedures set forth in § 1362(d)(1) and the applicable federal income tax regulations. Parent's revocation of its S corporation election caused each QSub election to terminate as of the end of the day on Date 4. As a result of the termination of the QSub elections, Parent was treated

for federal income tax purposes as transferring the assets of its QSubs to newly formed corporations as set forth in § 1361(b)(3)(C) and the federal income tax regulations (the “regulations”) thereunder. Those newly formed corporations are referred to in this ruling letter as the Former QSubs. Immediately before such deemed asset transfer, the aggregate tax basis of Parent’s assets (including the assets legally owned in the QSubs) exceeded their aggregate fair market value.

As a result of Parent’s revocation of its S corporation election, Parent, each of the Former QSubs, Regional Subsidiary 1, Regional Subsidiary 2, Regional Subsidiary 3, and Regional Subsidiary 4 became members of an affiliated group with Parent as its common parent (collectively, the “New Group”).

Parent requested a ruling for a waiver under § 1504(a)(3)(B) permitting Parent and each other member of the New Group to be included in the New Group’s consolidated federal income tax return for the short tax period Date 3 through Date 5.

Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows:

1. Parent is denied a waiver under § 1504(a)(3)(B) for it to be included in a consolidated federal income tax return for New Group for the short tax period Date 3 through Date 5. Accordingly, the New Group may not file a consolidated return with Parent as the common parent until the expiration of the period described in § 1504(a)(3)(A).
2. Provided Parent and each other member of the New Group properly elect to file a consolidated return, the New Group may begin filing a consolidated federal income tax return for the tax year beginning Date 6.
3. Any loss recognized with respect to an asset owned by Parent or any of the Former QSubs on Date 3 will not be treated as subject to § 1.1502-15 within the New Group (see § 1.1502-15(f)(1)).

Caveats

We express no opinion about the tax treatment of any of the above-described transactions under any other provisions of the Code or regulations or about the tax treatment of any conditions existing at the time of, or effects resulting from, these transactions that are not specifically covered by the above rulings.

Procedural Matters

This ruling letter is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

A copy of this letter must be attached to any federal income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of this letter ruling.

In accordance with the power of attorney on file in this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Lewis K Brickates
Chief, Branch 4
Office of Associate Chief Counsel (Corporate)